

The AMERICAN OBSERVER

A free, virtuous and enlightened people must know well the great principles and causes on which their happiness depends. — James Monroe



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Coal Strike Averted by President's Plea

Labor Unions Are Demanding 30 Hour Week and Pay Increase, But Delay Walkout

CONGRESS RUSHES GUFFEY BILL

Industry Suffers From Basic Ailment of Overexpansion Since World War

The threat of a strike in one of America's major industries—bituminous coal—has been averted, temporarily at least, by the intervention of President Roosevelt. On the eve of the strike, which was declared for June 17, the President obtained an agreement from the strike leaders to postpone the walk-out until June 30, at which time 450,000 miners will leave their jobs unless a permanent settlement has been effected.

On the surface, the nation-wide coal strike is being called for the purpose of obtaining higher wages and better working conditions for the miners. The United Mine Workers of America, the labor union which has called the strike, is demanding the establishment of a 30-hour week for workers and a 10 per cent increase in pay. But that is only a partial reason for the strike. The more fundamental reason is that the miners are attempting to bring pressure to bear on Congress to enact the so-called Guffey Coal bill, the purpose of which is to stabilize one of the most chaotic of all American industries.

President Acts

Since the declaration of the truce, President Roosevelt has gone out of his way to push the Guffey bill through Congress. He has put it on the head of his list of "must" legislation and is doing everything possible to secure its enactment before the end of the month. As soon as the highly important social security bill is out of the way, it is expected that both houses of Congress will turn their attention to the coal stabilization measure. Should the President's attempts prove fruitful, and proposed strike will probably not take place, as the labor leaders, and a majority of the miners themselves, will be satisfied and will not press their present demands.

Thus, it can be seen, the future of the coal industry depends to a large extent upon the action of Congress in considering the Guffey bill. And, whether it be that particular measure or some other plan, it is apparent to all students of the problem that something will have to be done to salvage the industry. For more than a decade, coal has been one of the sickliest of American industries. Like agriculture, its malady is not a product of the depression. Years before the 1929 disaster, the coal industry was suffering from acute economic illness. Miner and operator alike were finding it increasingly difficult to eke out an existence from their activities. Thousands of mines had been closed before the crash, and the stranded coal mine village was a relatively familiar sight even in the balmy twenties.

Overexpansion

In order to understand the basic ailment of the coal industry, one has to go back a number of years, back to the World War, in fact. It was during those years

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—COURTESY COAL AGE
A WEST VIRGINIA COAL MINING TOWN

Principle and Consistency

There are people who profit by experience. There are others who do not. There are those who, when they face crises, remember how they have met similar crises in the past. If their previous efforts were successful they adopt like practices again. If their earlier ventures failed, they change the program and do a bit of experimenting. They thus develop general rules or standards to go by. After a while their experiences will have covered a wide range. They will have come into possession of rules which will carry them through almost any emergency. They have thought out most, or at least many, of the problems they will have to meet. When a time for action comes they act in accordance with the standards which they have built up. They may be said to be principled. They have philosophies of life.

There are others who lack either intelligence or character enough to build a philosophy of life. They have as many experiences as do their principled friends, but they learn no lessons from these experiences. They do not study the results of different acts and then generalize as to which sorts of behavior are best. When a new situation arises they deal with it on the impulse of the moment. They act as if similar problems had not been met before. They act capriciously. They have no ruling, guiding standards against which each day's conduct is to be squared. They may not be unprincipled in the common sense of that term. They may not choose courses which are selfish or base or ignoble on all occasions. But they are unprincipled in the sense that they are not held to a steady and dependable course by adherence to predetermined rules of conduct.

The unprincipled person will resort to little dishonesties and follies which seem to offer, and may actually offer, immediate rewards. The man of principle will scorn temporary advantages which involve the violation of trusted standards. He will see that, in the long run, greater satisfactions will come through adherence to rules of honesty and fair play. Without being priggish and without being so rigid in his rules as to make an automaton of himself he will get into the habit of acting according to standards and of working for results which are to be realized over a long period of time. These two types are to be found in political as well as private life. Many of our politicians are pleasant and well-meaning men, whose weakness as public servants lies in their opportunism. Lacking the poise and steadiness which come from long reflection, they lose sight of major objectives and methods in looking for present gains. The man or woman, boy or girl, who wins the enduring confidence of associates, is the one who acts in accordance with ideals which have stood the test of reason and the test of time. Such a one is governed by principle rather than caprice or chance.

Japan Moves Army Into Northern China

Chinese Government Capitulates, but Asks Intervention by League and United States

RECALLS MANCHURIA CAMPAIGN

Japanese Act on 1931 Treaty to End Agitation, Economic Discrimination

Japan has moved into North China. That is the real meaning of the present Chinese-Japanese hostilities, which have been growing for the past month and in which the United States and the League of Nations have been asked to intervene. The Nanking government, under General Chiang Kai-Shek, has capitulated to the Japanese, for the present. Chiang has agreed that North China shall be administered by officials responsible to the Japanese military authorities. But in the meantime his government is making every effort to induce the great European powers to block the Japanese. China herself is powerless to resist the mechanized Japanese armies, but she hopes that the foreign powers will help her.

The situation closely resembles that brought on by the Manchurian dispute of 1931. Then, we remember, Japanese armies took possession of the territory along the South Manchurian railway, attacked the native Chinese as "bandits," and created the "independent state of Manchoukuo." This state was nominally ruled by Pu-Yi, last of the Manchu emperors, but it was staffed by Japanese political and military authorities, and its policy has been anti-Chinese and pro-Japanese. For all practical purposes, Manchuria became a part of Japan. And now the same process is going on in the provinces of North China.

The Peace Pacts

In 1931, the League of Nations and the United States strongly protested Japan's action. The League sent a commission to investigate Manchoukuo, the Lytton commission, which reported that Japan's invasion of Manchuria was contrary to the Nine Power Pact guaranteeing China's "territorial and political integrity." This pact had been signed by representatives of all the great powers, including Japan. Accordingly, the League censured Japan for overriding a pact which she herself had signed. But the only reward the League had for its troubles was that the new state of Manchoukuo ignored the commission's findings, and that Japan left the League.

The United States approached the problem in another way. President Hoover and Secretary Stimson based their protest on the Kellogg Pact, which renounces war "as an instrument of national policy." Our State Department said, in effect, that Japan had created Manchoukuo by warlike means, that it had used war as an instrument of national policy and thus violated the Kellogg Pact. But our note to Japan went on to say that signatories of the Kellogg Pact could not regard Manchoukuo as a real state. The United States refused to recognize the government of Manchoukuo, because any political change instituted by war could not be regarded as legitimate by us.

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PRESIDENT ROOSEVELT has made an emphatic declaration to the effect that the huge \$4,000,000,000 relief fund shall not be used for political purposes. He made this statement to the directors of the state relief administrations who were assembled last week in Washington. He said, "If anybody asks you to discriminate because of politics, you can tell them that the President of the United States gave direct orders that there is not to be any such discrimination."

The President, no doubt, made this statement in an effort to allay very widespread fears that these billions of dollars were being used as a great campaign fund. The charge has frequently been made that large projects were being planned for localities where the political situation was doubtful and where the Democratic party was greatly in need of support. It has been charged that the administration of the fund in many districts has been placed in the hands of Democratic politicians. These charges have not always been general in nature. Sometimes they have been specific. For example, Raymond M. Clapper, well-known political commentator, says, in the *Washington Post*:

Harry Hopkins, who despises having to play politics, is finding his hand forced time and again. He has to deny it, but he knows that the Mississippi works-relief set-up has been turned over to a Bilbo Baptist preacher because Senator Pat Harrison is facing a hard fight for reelection and needed Bilbo's help. To make it hurt more, Hopkins had to do this in face of the fact that the present Mississippi relief administrator, who normally would have taken over the new works administration, was a man he had recommended for the job.

He knows that in Missouri, the new works program has been turned over to a puppet of Tom Pendergast, the Missouri Democratic boss who makes a fortune out of political contracts and whose support is needed next year.

While pious speeches are being made about there being no politics in the works program, candidates for public office next year are putting the heat on the administration and forcing it to give ground. High and noble words are heard in Washington, but out in the country, on the receiving end, politics is saturating the task of sustaining the unemployed and you sniff a scent in the air that certainly didn't come from a flower garden.

Now comes the announcement of the President. Is it merely another pious declaration of good intentions, or does the President mean business?

Choice of Projects

In his address to the state directors of the relief program, President Roosevelt answered objections to the working out of the program other than those relating to political patronage. He replied to charges that the government is not spending the money on important and useful projects, but that instead it is planning merely to have the unemployed engage in odd jobs such as those at which they were given work under the CWA program.



JAMES L. O'NEILL

This is the head of the NRA, with the title of acting administrator. Mr. O'Neill was formerly vice-president of the Guaranty Trust Co. of New York.

The President said that the primary object of the \$4,000,000,000 works-relief fund was to put 3,500,000 persons directly to work. In order that so large a number may be given employment with a limited amount of money, it is necessary that a selection be made of enterprises which do not call for very expensive materials—enterprises the chief expense of which is the labor cost. The cost of projects must be kept down to from \$1,100 to \$1,200 a person, including materials, in order that 3,500,000 persons may be given enough money to live on. The President says that many worthy projects must be turned down in order to carry the program into effect, but that, so far as possible, the projects selected should be useful. He says, further, that public projects will be slowed down or stopped whenever it becomes apparent that private industry is in a position to give permanent work to the unemployed.

Report on the AAA

The Brookings Institution, an economic research organization located in Washington, has published a study of the operation of the Agricultural Adjustment Administration. This report is neither a defense nor a condemnation of the AAA. It is an independent survey of results.

The Brookings economists report that the AAA has helped certain classes of farmers. It increased the income of wheat growers by as much as \$200,000,000. This money did not come from the federal treasury. It came from processing taxes placed upon the millers and other wheat buyers, but it did not place a burden upon them because they pushed the cost onto the general public. The consumer of wheat products paid the bill. The AAA has resulted, therefore, in a sort of redistribution of income, consumers in general furnishing the money with which to give benefits to wheat growers. Certain other classes of farmers have also benefited.

The Brookings report looks upon the AAA policy with some distrust. Money is being taken from the people and given to certain classes, always a dangerous thing. A protective tariff, it is said, does the same thing. It takes money from the consumer of manufactured goods and turns it over to manufacturers. "Pork barrel" appropriations for river and harbor improvements are similar in effect. This report looks upon the distribution of benefits to the farmers as another step in the direction of placing burdens upon all the people in order to benefit certain classes. It is to be observed, however, that the report does not question the success of the AAA in doing what the administration intended to do with it; that is, to redress what it considered an unjust balance between agriculture and industry. It was felt that during recent years the farmers had been getting a disproportionately small share of the national income. The Brookings report indicates that the administration has succeeded in adjusting that situation in favor of the farmer.

For White Collar Workers

Administrator Harry L. Hopkins is planning effective relief for unemployed of the white-collar class. In many cities unemployed clerical and professional workers have constituted a serious problem. Even when jobs have been found for manual laborers, the white-collar workers have been uncared for. In some places, provision has been made for them. They have been set to work at teaching or at various kinds of artistic employment. In a good many cases they have been employed in school or municipal offices. Much complaint has been heard because of the artistic and cultural employments in particular. Some of this work has been called "boon dogging" (a word which originated as a term to denote the wooden windmills made by boy scouts), and it has been charged that such activities perform no useful function. The reply has been made that some of the cultural activities, like the promotion of art and music, and so on, are as valuable as any of the more material employments.

At any rate, Mr. Hopkins announces

that \$300,000,000 is being set aside to give work to the white-collar unemployed—to give assistance to "educational, professional, and clerical persons." In some cities, New York for example, these classes constitute a fourth of all those on relief rolls.

A Scandal Brewing?

Assistant Secretary of Commerce Ewing Y. Mitchell has been dismissed and in turn he is threatening to unearth a scandal in the department. The conditions which brought about his dismissal are somewhat hazy. It is known that Secretary of Commerce Roper has wanted to get rid of him for some time. Very often when a prominent official is no longer wanted in his position, another good place is found for him. The attempt was made to bow Mr. Mitchell out of the Commerce Department by that route. He was offered a good job in the Reconstruction Finance Corporation, but he turned it down. Then he was asked to resign, but refused to do so. Finally, when no other means of getting him out were available, he was dismissed by the President. The announcement was made that someone with engineering ability was needed in his office, which has charge of shipping and aeronautics, and that Mr. Mitchell had legal but not technical ability. Mr. Mitchell declares, however, that he was dismissed because he would not go along with the crowd in sanctioning graft.

The dismissed official declares in particular that the Department of Commerce granted favors to certain big concerns. Several years ago the government gave a subsidy of \$3,000,000 to the United States Shipping Line, one of the conditions being that the company would keep the *Leviathan* in operation for five years. Four years after that time the company was allowed to retire the *Leviathan* without paying back any of the \$3,000,000. The government is now considering paying another subsidy to this line to put a successor to the *Leviathan* in operation.

That is one charge which Mitchell makes. In addition, he says that there is incompetence in the department and that the supervision of shipping and of air transport has been slack. He says that if the work of inspection had been well done, the *Morro Castle* disaster could have been avoided and probably the life of Senator Cutting, who was killed in an air crash, could have been saved.

The Department of Justice is conducting an investigation of Mitchell's charges, but it is scarcely to be expected that the attorney general will conduct a very vigorous investigation into the conduct of a fellow cabinet member. This is a job which should be taken care of by congressional investigation such as the Senate Commerce Committee is conducting.

For a long time there has been a great deal of gossip in Washington to the effect that Secretary of Commerce Roper is administering his department very inefficiently and that, after all, he is a politician rather than an administrator. There seems little reason why all these rumors, together with the charges made by the former assistant secretary, should not be closely studied by an independent body.



H. E. ROPER
SECRETARY

THOUGHTS AND SMILES

"Our great-grandparents would be amazed to see a car start simply by pressing a button," we read. So would lots of motorists.
—HUMORIST

Tomorrow is thine if thy hand has the strength to grasp it.
—Marie of Rumania

A question to be asked of future candidates for Congress: Have you read the Constitution?
—St. Louis POST-DISPATCH

Post office officials who are tracking down the originators of the "send-a-dime" chains need not be surprised if they run into a bunch of missing links.
—Helena (Mont.) INDEPENDENT

It is now reported that worms, instead of being silent as they seem, actually utter low, moanlike sounds. The phenomenon is noticeable especially during the income tax season.
—Kalamazoo GAZETTE

Make few explanations. The character that cannot defend itself is not worth vindicating.
—F. W. Robertson

Patriots used to shout: "Give me liberty!" Now they leave off the last word.
—Detroit FREE PRESS

Who's Who doesn't count now. The real distinction is to get your picture in the magazine ads.
—Detroit NEWS

One thing about the horse-and-buggy age, Mr. President, is that the one-arm driver was less of a menace.
—New York SUN

As long as war is regarded as wicked it will always have its fascinations. When it is looked upon as vulgar, it will cease to be popular.
—Oscar Wilde

A man wrote Senator Vandenberg suggesting that the Rocky Mountains be leveled off. The project has merit, but the administration does not feel that it is costly enough to be practical.
—NEW YORKER

When all candles be out, all cats be gray.
—John Heywood

An author declares that he once kept an idea for a novel in his head for 15 years. It is not long enough.
—HUMORIST

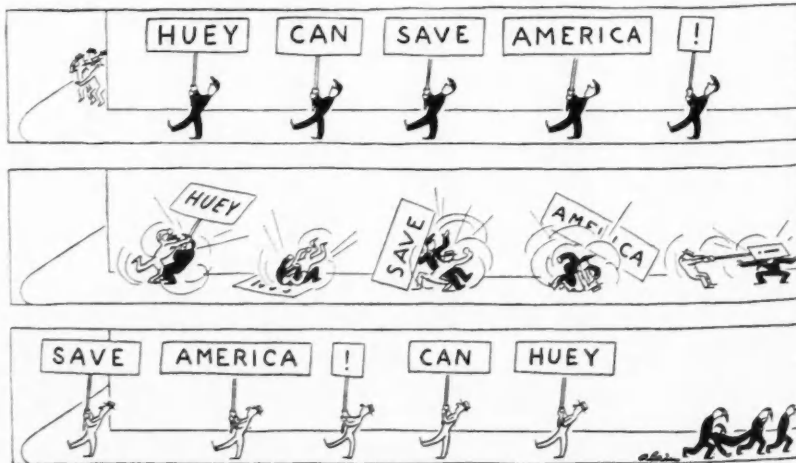
A merchant reports he found his cash register had been robbing itself. There's no getting away from it—machines are getting more like human beings every day.
—Worcester (Mass.) GAZETTE

By and large, we suppose the steady job until the world settles is making maps.
—Montreal STAR

Now when the crossword puzzle makers say "extinct bird," you don't know whether they mean roc, dodo, or Blue Eagle.
—BORDER CITIES STAR

A lawyer without history or literature is a mechanic, a mere working mason; if he possesses some knowledge of these, he may venture to call himself an architect.
—Sir Walter Scott

Secretary Morgenthau of the Treasury Department is looking into inheritance taxes to increase revenues. But what will worry the next generation is its tax inheritance.
—Newport News TIMES-HERALD



AROUND THE WORLD

Mexico: The 15,000 American Rotarians who arrived in Mexico City last week for the annual Rotary Convention found themselves in the midst of unexpected political excitement. Twelve of the Mexican labor organizations had just threatened a general strike, in protest against the anti-labor declarations of General Plutarco Calles, Mexico's former president and the "man behind the throne" in the present Cardenas government.

Meanwhile huge Catholic processions passed through the streets of Mexico City, demanding a change in the present anti-Catholic policy of the government. No action was taken against the marchers, although one youth, who shouted, "Death to Cardenas," was arrested.

The underlying cause of the present crisis is the break between General Calles and President Cardenas.

Cardenas was pledged to far-reaching economic and social reforms, and although General Calles was nominally his supporter, the general's displeasure with Cardenas' policies has been growing. Cardenas, during the past month, has aligned behind him most of the worker and peasant factions, besides the support of the army. But Calles' influence with the Mexican landowners, who fear Cardenas' "leftward trend," is still very great, and the effect of their estrangement was to bring out of hiding many of the enemies of the present régime. Nevertheless, the Rotarians were assured that there would not be any revolution, and that they would be able to hold their convention in peace, since for the present at least it is unlikely that General Calles can do anything but yield to President Cardenas.



LAZARO CARDENAS

This reply by the French foreign office has also displeased the Germans. They are not sure that Great Britain would compete with the French, in the event that the French carry out their threat to abandon the tonnage agreements of the Washington conference. And unless Great Britain did compete, Germany might be placed at a great disadvantage with the French, because they could not pass the 35 per cent quota with the British. Accordingly, the German ambassador in London is now trying to get the British to promise that they will meet any naval increases of the French and allow the Germans to keep their fleet in the running.

Germany: Dr. Hjalmar Schacht, economic dictator of the Reich, has just put into effect his new plan for subsidizing Germany's export industries. He hopes to increase the quantity of goods exported from Germany by making cash payments to manufacturers of goods for export.

The only hitch in his plan is that the government had to raise the money for the subsidies by making a levy on all German business. The first levy is scheduled to reach 750,000,000 marks (about \$300,000,000), and German businessmen are wondering how the levy can be met. It will amount, in many cases, to as much as eight per cent of the 1934 turnover, and many observers fear that it will virtually confiscate the 1934 profits in a great number of German businesses.

There was, in Berlin, some talk of a general shutdown in those industries hit hardest by the levy. Immediate payment of the first installment was demanded by the government. But inasmuch as German industries are compulsory members of the national business and industrial organizations, the National Socialist government has the power to keep manufacturers going even at a loss.

For the first time since the war German youths of the "classes of 1914 and 1915" (aged 20 and 21) lined up in front of recruiting stations to meet the government's conscription law. The recruits will be examined for their physical, mental, and racial fitness, and will serve in the new armed forces of the Third Reich. June 17 was the first mustering day under Germany's new conscription law, with which Germany formally repudiated the military clauses of the Treaty of Versailles.

Germans living abroad, the "Auslands-reichdeutsche," are subject to conscription under the new law, but they will not be called to service in the present recruitment. Those, however, who served in the German forces during the World War have been invited to register at their German consulates abroad if they wish to engage in army maneuvers for promotion.

France: The recent Anglo-German naval conversations, in which Germany agreed to limit her naval construction to 35 per cent of the British naval strength, have been strongly disapproved by France. Although English officials feared that the French would oppose the agreement, the French ambassador's reply to his copy of the proceedings was much stronger than England expected.

The French take the attitude that Britain has no right to accept any percentage from Germany contrary to the stipulations of the Versailles Treaty. And they go on to say that this action of Great Britain makes the French free to overlook the ratio of naval tonnage accepted at the Washington conference. They believe that England sacrificed French interests in making the agreement with Germany, because the French will now have to keep pace with British naval construction to avoid being overtaken by the Germans.

Both France and Italy were disposed to see in the Anglo-German agreement an effort to make the British navy a "measuring rod" for the world's navies, and they insisted that Great Britain's act called for a generally revised naval policy, which would take the whole European situation into account, as well as the relations between England and Germany.

Italy: The Italian government has ordered the recall of all silver coins circulating in Italy. The reason for this action is that silver is the sole medium of exchange in Italy's African colonies, Eritrea and Somaliland, and in Ethiopia, and the government needs silver coins for the 225,000 men it will have sent to Africa before the fall.

The 225,000 men are officially described as "soldiers and workmen," but foreign observers incline to believe that there will not be many workmen among them, until Italy's dispute with Ethiopia has been settled.

Our United States silver-buying policy has had interesting results on both the Italian and the Ethiopian sides. It has caused the shipment of great quantities of silver from Italy, because Italian silver currency is worth far more in the world market now than the United States government is buying silver. On the other hand, it has increased the purchasing power of the emperor of Ethiopia, who holds large stores of silver, and thus enabled him to buy greater quantities of arms and ammunition for the prospective struggle with Italy.

Government officials, when they were questioned on the political significance of the silver order, would not admit that

Italy had abandoned hope of solving the Ethiopian dispute peacefully. They insisted that the plans did not mean an invasion, but were for the purpose of "protecting Italy's boundaries" and developing the commerce of Italian Africa.

Great Britain: Great Britain's new prime minister, Stanley Baldwin, has decided to reject the proposals for a British new deal, modeled after the policies of President Roosevelt. The new deal is the brain child of David Lloyd George, leading Liberal politician, who was Great Britain's wartime prime minister, and who has since gone into retirement.

Lloyd George's program calls for the creation of a powerful brain trust, which would be independent of any political interference. The parliament would be able to legislate only on general conditions. Among the tasks of the brain trust would be a new financial policy, slum clearance and land settlement programs, a system of work relief, and international co-operation in finance. In introducing his plan, Lloyd George praised President Roosevelt as "a man of indomitable courage."

Prime Minister Baldwin, however, was not impressed by the plan. He and members of his government have been studying the details laid before them by Lloyd George, and their opinion is that the good features of the new deal are already included in the Conservative platform. Neville Chamberlain, chancellor of the exchequer, whose reputation rests on the fact that he balanced the British budget in 1934, was not eager to spend large sums to eliminate unemployment, and many other Conservatives regard the plan as no more than a clever device to embarrass their party and obstruct the new government.

Whether Mr. Baldwin's rejection of Lloyd George's proposal will have important political results remains to be seen. Lloyd George still commands a large following, both in parliament and in the nation, and he may try to make the new deal a major political issue. Already he has begun to organize a nonpartisan campaign for the support of the new deal in the next parliament, which will convene after the general elections in 1936.

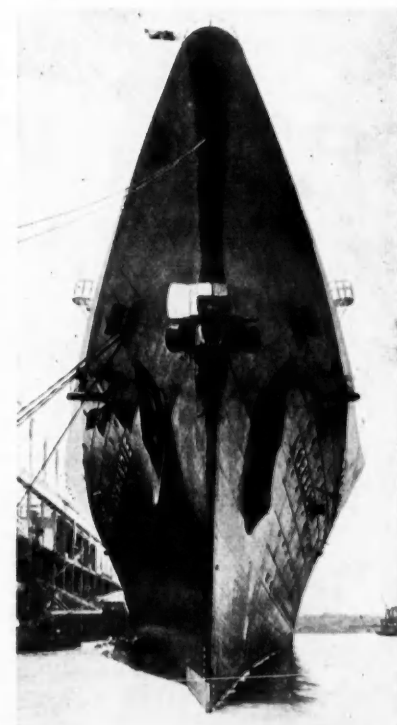
The Prince of Wales drew what is believed to be the first public criticism of a speech made by members of Great Britain's present royal family, when he declared that "only misguided cranks" oppose military training in public schools. England's Labor newspapers reminded the prince that "those in receipt of the public purse should not take part in politics," and George Lansbury, leader of the Labor party in parliament, told a rally that the prince "after he thinks the matter over, will see there are other forms of discipline than shouldering a musket and playing at soldiers." Conservatives were shocked at such public rebukes to the prince, but Laborites believe that even royalty should not enter controversial subjects if they are unwilling to face the criticism of those who disagree with them.

Palestine: General Sir Arthur Wauchope, British high commissioner in Palestine, is planning to institute a legislative council, and give Palestine its first self-government since it became a British protectorate after the World War.

The problems of Palestine center around the conflicts of Jews with the native Arabs. Palestine has been the goal of the international Zionist movement, organized by Jewish leaders in the hope of settling the world's Jews in a country of their own. The trouble was that Palestine is now inhabited chiefly by an Arab population, and the Arabs were unwilling to accept the Jewish claim that they had a right to resettle and rule Palestine. Since 1920 the British government has tried to moderate between the claims of the extreme Arab nationalists and the extreme Zionist party.

Following the high commissioner's announcement of the new legislative council, to be composed of representatives of the people and of the Palestine government, Arabs and Zionists anxiously pressed their claims for representation on the council. The Arabs want direct elections, with Moslems and Christians in one unit and Jews in another, believing that this will give the Arab party the majority which they believe their numbers deserve. The Zionists, on the other hand, object to the establishment of the council unless they are assured of at least 50 per cent representation, since they fear that an Arab majority would act to prevent Jewish immigration to Palestine. If they are not given this representation, the Zionist leaders of the Jewish Agency threaten to boycott the council. But it is believed that even a Jewish boycott will not deter the high commissioner from carrying out his plans, and giving the present population, Jew and Arab, a peaceful means for adjusting their disputes.

Spain: Basilio Alvarez, a Radical member of the Spanish Chamber of Deputies, told the Spanish Press Association last week that Spain "ought to take a lesson from the United States, where full freedom of speech and of the press enables the exposure of fraud and pseudo-public benefactors." Deputy Alvarez criticized very sharply the government's censorship of the press, and the suspension of many leading Spanish newspapers because of their violation of the censorship rules. He felt that "a truly democratic government needs an opposition press and ought to encourage, rather than penalize, freedom of speech."



STREAMLINES

This head on photo of the Normandie shows the construction lines which helped her to a transatlantic record.

Public Opinion in the Making

A Proper Provision

When a strike occurs among power utility employees there may be created a condition which severely affects the general public. A forward step has been taken in anticipating differences between utility operators and their employees, and is described in the St. Louis *Post-Dispatch*:

The contract accepted by employer and employees in the settlement of the utility strike in southern Illinois contains one clause which stands out above all the others. This is the agreement to arbitrate any future differences by means of machinery which the contract sets forth in detail.

Stating explicitly that both the company and the workers it employs are engaged in operations essential to the public welfare and recognizing the obligation to furnish continuous service, the contract provides that in the event of disagreement, the side which raises the issue must file a formal notice of protest. This is to be the signal for each side to choose three members of an arbitration board to meet within five days. Should these six not be able to adjust the differences within another five days, the board itself is to select a seventh member, and if settlement still is not secured, it is to come within the province of the governor of Illinois to name a deciding member. All the while, there is to be no interruption of services.

This acknowledgment of the special obligation of utility operators and their employees is entirely proper. Had it been in force and lived up to, southern Illinois would not have had the anarchy which was its unhappy lot during April and May.

War Debts

Twice a year when war debt payments become due there is one country which pays. Finland pays \$360,000 to the United States each year and people are wont to praise the little nation and speak of it as an example to be followed by the other countries of Europe. The *Texas Weekly* shows the facts behind Finland and the war debt installments:

Since 1930, Finland has succeeded in reducing its purchases from the United States to such an extent that it has converted an excess of \$6,000,000 a year of imports from the United States into an excess of \$3,000,000 a year of exports to the United States. In such a situation, Finland could not very well contend that it was incapable of paying the American government such a relatively small amount as \$360,000 a year.

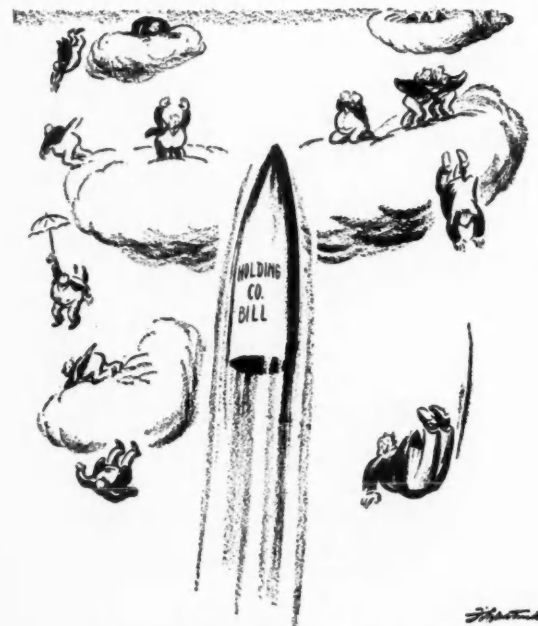
Finland has acquired its ability to pay by reducing its purchases from the United States by many times the amount it has to pay every year, without materially reducing its sales to the United States. Does anybody in the United States want France to do anything like that, or England, or Italy?

France bought \$54,000,000 more of goods from us last year than we bought from France; the United Kingdom bought three times as much from us as we bought from the United Kingdom, the excess being \$267,969,000; and Italy bought \$29,000,000 more than we bought from Italy. Taking Europe as a whole, the excess of its purchase of American goods over our purchases of European goods was \$460,000,000. But even at that, our exports to Europe in 1934 were valued at only \$949,705,000, as compared with an average of \$2,235,613,000 a year during the five years ending with 1930.

We ought to be concerning ourselves about regaining some of that trade instead of encouraging the other European nations to emulate the example of Finland by reducing their purchases from us still further, even below our purchases from them, in order to be able to pay war debt installments to the American government. But apparently the farce will go on indefinitely, so far as the statesmen at Washington are concerned.

Air Raids

One often hears "The next war will be won or lost in the air." It is prophesied that city dwellers, rather than fighting forces, will be singled out for destruction by



GREAT EXCITEMENT IN THE ECONOMIC STRATOSPHERE

—Fitzpatrick in St. Louis *Post-Dispatch*

bombing with gases and germs. W. F. Kernan dispels many of these horrors of the imagination as he describes the effectiveness of anti-aircraft instruments and weapons in the *American Mercury*:

In estimating the battle-efficiency of the new anti-aircraft weapons and instruments, we have, of course, only peacetime experiments to guide us. However, the results obtained during the past decade from joint air-ground maneuvers conducted by various nations have been carefully tabulated by experts and permit the formulation of an interesting—and comforting—hypothesis. Thus Captain Dr. Hans Brehm, writing in the German aviation magazine, *Luftwehr*, November, 1934, issue, reports that with a ground defense system properly organized within a 400-mile zone, a hostile air expedition would be forced to run the gauntlet of 37 batteries before reaching its objective. Assuming a probability that only two per cent of the automatically directed fire of these batteries reaches its target, Captain Brehm concludes that "this would be equivalent to annihilation."

Considering the demonstrated accuracy of the new fire control apparatus, it appears that in future wars death is almost as certain to result from participation in air attacks as from the commission of *hari-kari*. Perhaps sooner or later the bombing of cities will come to be recognized as a form of euthanasia for desperate patriots. That it will ever become a really popular pastime may be seriously doubted.

Sanctions

A much discussed method of punishing a belligerent nation is through the use of an economic boycott. The difficulty of enforcing economic sanctions is dealt with by Salvador de Madariaga, permanent Spanish delegate to the League of Nations, in the *London Daily Telegraph*. He writes:

Consider a nation A, of great economic strength, and another B, of small weight. So far as A is concerned, economic relations with B have no importance. But for B, the country A is its best client. Hence, breaking off economic relations between A and B would be a minor matter for A, but a national disaster for B. What will B do if the rest of the international alphabet declare A to be a transgressor and demand a boycott? This relatively frequent case explains a good deal of the opposition to the application of penalties.

But there are others. It may happen—and, in fact, it has happened—that a country M occupies a predominant position in a country P, where it has large investments, spread over many industrial and other interests. If P, having been declared at fault, is to be subjected to an economic boycott, what will happen? The transgressor will take advantage of the circumstance to loosen the economic ties which bind it to M; it will stop payment of dividends, confiscate capital and plants, and thus draw profits from punishment.

You will say that war would follow, that P would be defeated, and thus everything would come out all right, like a fairy tale, virtue triumphant in the end. But if we have supposed that economic sanctions are for the purpose of avoiding war, the argument is poor. Thus the facts reveal little by little the heart of the difficulty.

Human Nature

Several recent signs would seem to show that the Soviets are gradually abandoning their raw materialism, or at least softening it by recognizing the values of the human spirit. The *Emporia (Kans.) Gazette* comments on one of these trends:

The Soviets in Russia seem to have issued a proclamation in which the government demands that the home be bolstered up. Communist marriage and divorce are purely civil matters. Marriage may be entered into freely by both parties and divorce may be obtained by either party and without notice or cause. Alimony must be paid by either party able to pay it for the dependent children. That is the legal foundation back of the Russian home.

Love has its possessive side and Communism loathes all acquisitive instincts. So Communism has branded love as bourgeois sentimentality, has scorned and rejected it.

But in Russia in recent years too many abandoned children are running wild. They are developing the same kind of antisocial qualities that children of broken homes develop in the capitalistic world. These antisocial children make antisocial men and women in Russia just as they do in the sentimental bourgeois countries. For self-preservation, therefore, the Soviet leaders are proclaiming the need of love.

Modern civilization, under capitalism, under plutocracy, under the totalitarian state, every social plan or political organization which keeps the western world out of degradation is founded on human love,—the love of the sexes, the love of men for humanity, sometimes abused as super-patriotism, but still love. Without love no civilization can stand.

The Filibuster Problem

Last week Senator Long made a spectacle of himself by delivering a 15½-hour filibuster in the Senate. Although filibusters are not uncommon, Senator Long's was more talked about than usual, both because of his unpopularity and his personality. However, the Long filibuster raised the following comment from the *Washington Post*:

In the Senate, as in every human organization, there is a point beyond which liberal rules of conduct may give rise to anarchy. Society has found it necessary to curb the activities of those who have no respect for the public welfare. Likewise, the Senate will find it necessary to control its obstructionists, if it is to function as a reasonably effective legislative body. When the liberty of unlimited debate is used to frustrate the will of the majority and wreck the machinery of legislation, decisive measures are in order.



THIS COSTS THE NATION MORE THAN THE CURE

—New Orleans *Times-Picayune*

Certainly the public will support a campaign to end this intolerable abuse of our legislative machinery. If blatancy can be put in its place by the united action of senators who retain some sense of decorum, no further action will be necessary. But if this effort fails, modification of the rules to safeguard intelligent debate will be imperative.

Banking Act

The Banking Act of 1935 which is now before Congress contains proposals which make it the most important piece of banking legislation since the Federal Reserve Act. George B. Roberts, in the *Atlantic Monthly* for June, comments on the seriousness of the changes being considered:

The several arguments for and against the act emphasize the need for a careful and scientific study of the whole question of banking reform. What the situation requires is not more hurriedly enacted legislation, rushed through Congress without adequate opportunity for study and debate, but a carefully evolved program in the preparation of which Congress should have the advice of the best qualified minds in the country. No emergency demands immediate action, and, should one arise, the government already has ample powers for dealing with almost any conceivable situation.

With the multitude of problems pressing upon Congress, it must be realized that that body cannot possibly devote to Title II the attention that is essential to the task of reorganizing the banking system. Clearly, the subject is one which should be referred to an expert and impartial committee, which would explore all possibilities and report to Congress for action as the latter sees fit.

Federal Auto Taxes

The "nuisance taxes" which the House voted to extend last week are claimed to constitute an unfair method of raising revenue, because the burden is placed on the average consumer. The *Detroit News* feels that the special auto taxes are especially unfair:

Unanswerable arguments against the federal additions to the enormous tax burden borne by automobile users are on record. A large Detroit manufacturer has shown that his cheapest new car, among the lowest-priced on the market, bears during the first year of its life, if driven 10,000 miles, taxes amounting to nearly \$70.

Why subject the automobile and its tires and parts to national sales taxes when but few other articles must pay them? Why saddle especial burdens on an industry employing over 4,000,000 workers, a tenth of all engaged in gainful occupations in the country? Why any longer class the auto as a "luxury" and single it out therefore for taxation, when two-thirds of all its owners have incomes of \$3,000 a year or less and more autos than telephones are in use?

With some 26,000,000 cars and trucks on the road, their original cost and the cost of operation, besides a principal charge on necessary recreations, form a transportation item in the final prices of all necessities of life. The cheapest models account for 85 per cent of all cars and trucks in use. Special auto taxes form a levy on the small incomes of the masses rather than a toll easily borne by the rich.

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Among the New Books

"Sailor of Fortune," by Charles J. MacGuinness (Philadelphia: Macrae Smith. \$2.50).

Captain MacGuinness is a real adventurer. He shipped from Londonderry at the age of 15, and has been traveling ever since, as a sailor, soldier, pearl fisher, gun runner, pirate, and member of the Byrd Expedition to Antarctica. All his many experiences are related without varnish or self-justification.

Readers may feel, occasionally, that a little self-justification is in order. For Captain MacGuinness admits that everything he has done "has been to satisfy curiosity or the urge for change, but mostly for the thrill of doing something unusual." Thus one day he was haranguing crowds in Dublin against the British war, and a few days later he was an enlisted man in the British navy. He quit the navy and joined the army, and then left war service altogether "because the British were winning." When he went to China, after the war, to help the outnumbered forces of Chiang Kai-Shek, he had many stirring adventures, but he returned to America when Chiang became a powerful war lord. He is capable of momentary enthusiasms, such as that for gun and rum running, but long before the reader tires of his exploits the captain is off to other fields. Because of the diversity of MacGuinness' experience, and his lighthearted way of describing it, "Sailor of Fortune" is easily one of the best adventure books of the year, and it is recommended to our readers.

"American Messiahs," by the Unofficial Observer (New York: Simon and Schuster. \$2).

It is unfortunate that the Unofficial Observer has seen fit to wisecrack about the public figures with whom he deals in this book, to refer to them as members of the "Lunatic Fringe," and generally to make clowns of them. Whatever one may think of the La Follettes, Huey Long, Governor Olson, Dr. Townsend, Father Coughlin, La Guardia, Upton Sinclair, Norman Thomas, and the others discussed in these pages, it can scarcely be denied that they represent an important section of American public opinion today.

When he comes down to actual cases, however, the Observer is fair and sympathetic. He loses the facetiousness of his titles and subtitles, and really attempts to understand the different men and the programs for which they stand. One will undoubtedly take issue with many of the Observer's conclusions and remarks, but his book is nevertheless extremely interesting and timely. It should be required reading for all those who would keep abreast of the currents of political thought in America today.

"The Man Who Had Everything," by Louis Bromfield (New York: Harpers. \$2).

Those who have followed Mr. Bromfield's earlier works will be familiar with the general theme of his latest novel. It is the conflict between farm and city, and the conflict centers upon the personality of Tom

Ashford, "the country boy who made good in the big city." Despite the worldly success of the hero (he has reached the pinnacle in the ordinary sense of the word, is a successful playwright, has plenty of money, a sophisticated wife, two normal children, associates with the smartest and best of people) his life is a blank, completely purposeless.

Mr. Bromfield would have us believe that this sense of futility is due to Tom's being uprooted. There is constantly present a nostalgic yearning for something stable and secure, for the boyhood days on a farm in the Middle West, and for the peace and tranquillity which came to him during the war when, wounded, he was cared for by a young French girl. Incidentally, in dealing with this particular episode, Mr. Bromfield is convincing, even powerful. In handling other situations, however, he is less effective, and at times he falls down completely. While not ranking among the best of recent fiction, "The Man Who Had Everything" is nevertheless an interesting story which should have a wide appeal.

"Ships Aflame!" by Jean Toussaint-Samat (Philadelphia: Lippincott. \$2).

This is a prize-winning French mystery novel. It is the story of two mysterious fires at sea caused by radical terrorists. The hero of the novel, young Robert Meyric, attempts, almost single-handedly, to combat the fires that break out on two of France's finest vessels, the *Cardinal de Richelieu* and the *Val d'Andorre*. Behind the drama accompanying fire at sea is the love story of Meyric and his fiancée, which adds color and interest to the book. "Ships Aflame!" is certainly not a great book, but it is one admirably suited for light reading during the hot summer months.

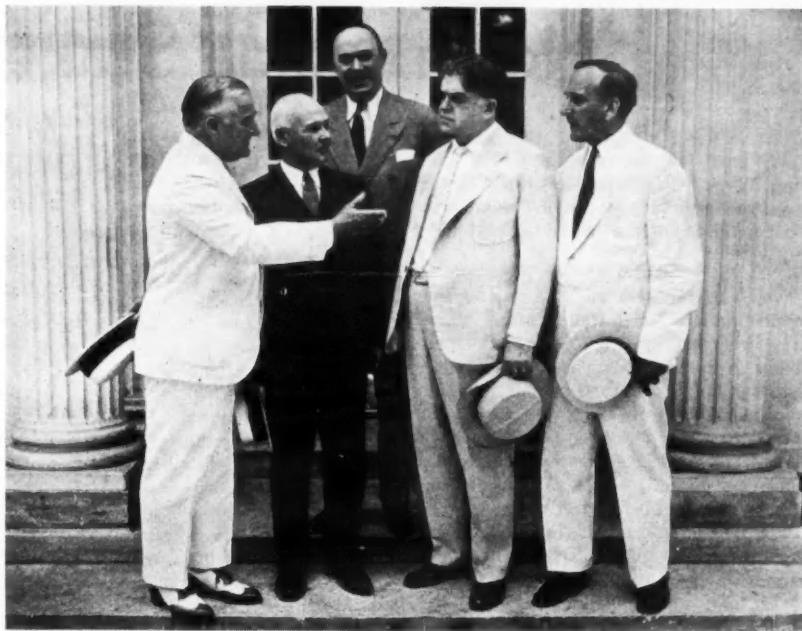
Coal Strike Averted by President's Plea

(Continued from page 1, column 1)

that the demand for coal increased many fold. New mines were opened in order to meet this new demand, and mines which could not be operated at a profit under normal conditions once more proved profitable. By 1923, this artificially stimulated coal capacity reached its peak, consisting of nearly 10,000 commercial mines capable of turning out 970,000,000 tons of coal a year. Since never in a single year had more than 579,000,000 tons of coal been absorbed, it is easy to see the consequences of such overexpansion.

Between the peak year and 1931, the whole coal industry underwent terrific deflation. The number of operating mines was more than cut in half, the total number in the latter year being but 3,689. In 1931, the annual capacity had been reduced by 234,000,000 tons. This reflected itself in wholesale bankruptcies, starvation wages, part-time employment, and generally chaotic conditions. The workers who were fortunate enough to hold their jobs discovered that each year they were working fewer days. For a period of 32 years, ending in 1921, the soft coal mines of the country operated on an average of 213 days a year. From that time to the present, the number has constantly declined. During the era of prosperity from 1922 to 1929, the average was but 189 days a year; and by 1932 it had been reduced to 145 days.

The decline of the coal industry was not, of course, due solely to the overexpansion caused by the war demand. During recent years other products which directly compete with coal have been thrown on the market in increased quantities. Gas, electricity generated by water power, and oil have come to assume positions of greater importance in filling the nation's fuel needs, both commercial and otherwise. Consequently coal has suffered. Between 1909 and 1929, the average re-



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LEADERS WHO AVERTED STRIKE
These men, shown leaving the White House, were responsible for postponing the coal strike for two weeks. They are, left to right: Senator Joseph Guffey, of Pennsylvania; D. C. Kennedy, chairman, Appalachian Joint Conference of Operators and Miners; Major George L. Berry, NRA coal administrator; John L. Lewis, president, United Mine Workers of America, and Rep. Buell Snyder, of Pennsylvania.

duction in the use of coal by industries and the railroads was 33 per cent. As one of the leading authorities on the subject has put it, "had there been no advance in thermal efficiency during the 20 years and had the efficiencies of 1909 continued without change, American business would have consumed 210 million tons more of bituminous coal in 1929 than were required."

Post-war Deflation

For a number of years, until the establishment of the NRA, in fact, conditions in the coal industry remained highly unsatisfactory. As soon as the high prices of the war and immediate post-war period collapsed, the industry began to decline. At times, the workers tried to improve their lot by going out on strike, but they were generally unsuccessful because the industry itself was prostrate. The operators themselves felt a terrific pinch because, in order to capture the coal market, they were forced to underbid their competitors—which meant that they were obliged to cut the wages of their workers. By 1932, conditions had become so bad that in some places miners were getting only 16 cents a ton for loading coal. The miners were deeply in debt, with no hope of getting out. What little money they earned had to be turned over to the company store for food they had bought to keep themselves and their families alive. Conditions among the miners, who had been completely thrown out of work on account of the mines having been closed, were unspeakable.

With the NRA code for the coal industry, things took a brighter turn, both for the workers and for the owners. Minimum wages were established and the workers began to take on new hope. The operators were spared cutthroat competition. They were not allowed to sell coal below a certain fixed price. Thus, to a certain extent, the vicious circle of price cuts and wage cuts and more price cuts and more wage cuts was broken. During the early days of the coal code, owner and worker alike felt that a new day had dawned.

There were abuses under the code, to be sure. Since the price of coal had been increased, the temptation was great to put abandoned mines back into operation. Consequently, the supply of coal was increased, tending to depress the price. Moreover, there were "chiselers" in the coal industry as well as in a number of other industries. Coal was bootlegged by those who saw a chance to reap a profit from the higher prices. Despite these developments, however, conditions were better than they had been and the future seemed brighter than for a number of years.

Setback

The decision of the Supreme Court last month that the NRA was unconstitutional was a heavy blow to the coal miners, for

the abrogation of the code, with its wage provisions, looked to them as marking the return to starvation wages and all the horrors of previous years. But the Supreme Court's decision did serve one definite purpose. It renewed interest in the Guffey Coal Stabilization bill which had been before Congress for some time. As we pointed out earlier in this article, the strike was called largely for the purpose of bringing pressure to bear upon Congress to enact this measure.

In one sense, the Guffey bill would establish a miniature NRA organization for the coal industry. It would attempt to prevent both wage and price cutting. But only in one sense is that true. The measure is much more comprehensive than a wage, hour, and price arrangement. It is an attempt to correct some of the basic ills of the industry. One of its most important provisions is that the federal government shall establish a national coal reserve. A total appropriation of \$300,000,000 would be made to purchase coal mines which would be withdrawn from use. In this way, part of the excess capacity would be removed, and, at the same time, the government would be assured a supply of coal in case of emergency.

Another important feature of the Guffey bill deals with the establishment of quotas for the mines remaining in the hands of private owners. According to the proposal, each mine would be allotted a prescribed percentage of the total market, the exact tonnage to be determined by a special commission. This would tend not only to conserve the nation's supply of coal, but would stabilize the industry and prevent the abuses of cutthroat competition which have been so disastrous in the past.

Other Provisions

Moreover, the entire coal industry would be regulated by the government in other ways. A national bituminous coal commission would be set up to supervise the industry. Its membership would be composed of men having the public interest at heart and representatives of the miners and the owners. It would administer the wage, hour, and price provisions and would see that collective bargaining privileges were guaranteed by the employers. As John L. Lewis, president of the United Mine Workers of America, and one of the most ardent supporters of the Guffey proposal, sees it, the bill "presents a sound scheme for saving the industry without resorting to socialization."

Whether Congress, in its present frame of mind, will see fit to pass the coal stabilization bill is hard to predict. There can be no doubt that many have qualms about the Guffey measure, feeling that it is just as unconstitutional as the NRA and that the Supreme Court will outlaw the bill if it is passed. The President, however, (Concluded on page 7, column 4)

North China Stake in Japanese Action

(Concluded from page 1, column 4)

We have not yet recognized Manchoukuo. We still insist that only the Chinese have the right to govern in Manchuria. That is the keynote of the situation today.

Japan's Answer

Now the Japanese have passed beyond Manchuria into North China. Many Americans who were willing to overlook their action in creating Manchoukuo now fear that the Japanese set no bounds on their ambition. China is weak, and unable to defend her boundaries. What is going to stop Japan from gaining control of the whole of Eastern Asia? What do the Japanese want in North China?

The Japanese answer that the Nine Power Treaty and the Kellogg Pact tell only half the story. Japan has a treaty of her own with China, signed after the war of 1931. The heart of this treaty was that China agreed to "demilitarize" North China. In other words, she agreed to remove it from the military jurisdiction of the Chinese government. All Chinese troops had to be withdrawn, leaving only a police force which had to answer to the Japanese military authorities. Nominally, North China was still under the sovereignty of China. But, in practice, North China after 1931 was in the same position as Manchuria before 1931. At any time, if North China broke any of its agreements with the Japanese government, the Japanese army could move in to enforce them. Japan can do the same in North China as it did in Manchuria. If it wants to stand behind a "rebellion" in North China, and set up an independent government like that of Manchoukuo, there is nothing to prevent it.

The Japanese say that this treaty stands. And they insist that the Chinese government is breaking its agreement in North China, just as it broke its agreement in Manchuria. They claim that the zone has not been demilitarized according to the treaty. Everywhere in North China there are independent war lords, harassing the local authorities and enemies of Japan. China has not put a stop to these leaders, as was promised in the treaty of 1931. Japan regards them as a great danger, not only to the Japanese interests in North China, but to the new, Japanese-supported government in Manchoukuo. So their position is: unless the Chinese are willing to suppress these war lords, as they promised in 1931, they will have to be put down by the Japanese army. And that is what the Japanese claim they are doing. They say that they are not invading North China, but acting under the 1931 treaty to see that its terms are enforced.

Economic Need

But this explains only the cloak under which Japanese policy is attempting to justify itself. It does not explain why Japan is so interested in Manchuria or in North China as the principal neighbor of

the new state of Manchoukuo.

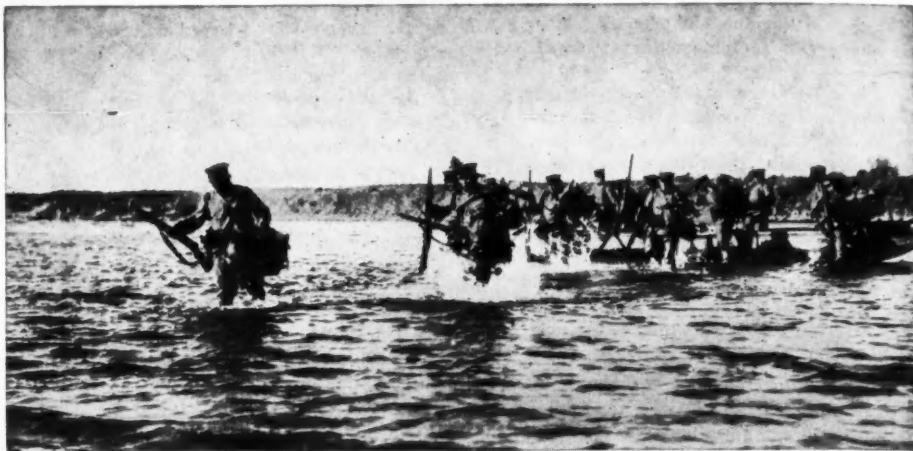
One answer is that Manchuria is, potentially, of great importance to Japan's growing industrial machine. Japan needs markets for her products, raw materials for manufacturing them, and an outlet for her surplus population. Manchuria has extensive mineral deposits and thousands of acres of good farming land. At present these resources are not fully developed. For in order to extract mineral wealth, railways are needed. A stable government is necessary, if large quantities of material are to be exported and imported, and if investments are to be made in mining and industrial machinery. These investments must be protected by a responsible central government and by an efficient local police administration. Manchuria has not had this stable government. Since the overthrow of the Manchu dynasty in 1911, Manchuria has been the football of independent war lords. During the past three years, the Japanese claim, the new state of Manchoukuo has gone far to remedy all of these conditions. And now they fear that Manchoukuo is being menaced by the anti-Japanese agitation in North China.

The Other Side

But this Japanese explanation is generally regarded as incomplete; many believe that Japan will not be satisfied until North China goes the way of Manchuria. For one thing, the Japanese exaggerated the economic importance of Manchuria. It is doubtful that Japan, which entered the world market at a comparatively late date, can really find in Manchuria all the raw materials and markets that she needs. Sooner or later, if her textile mills and manufacturing establishments are not to contract, Japan will have to turn to other fields. She has already made inroads in the British trade with India. In 1933, for the first time, Japan sold more textiles to India than Great Britain did. Her trade with the French colonies in Asia has also increased. But since India is a British colony, and Indo-China a French colony, many Japanese leaders regard these increases as too good to last. They know that the great European powers can always protect their trade with their own colonies, if they choose, by tariff and import barriers.

The great "natural" market for Japan is in China. China alone is sufficiently large, and sufficiently in need of industrial products, to provide a stable market for Japanese goods. Of course, imports have to be paid with exports, and at present China is economically disorganized, so that she can buy only a fraction of the goods which she needs to develop into a rich market. China may not now play a large part in world trade. But in the 20 years between 1911 and 1931 her foreign trade tripled—from \$600,000,000 to \$1,800,000,000. It is this increase, and the possibilities which it reveals, that gives China its importance as an industrial market. And Japan feels that, since she has no important colonies and may at any time be shut out of her foreign trade with European colonies in the East, as well as with the western countries themselves, it is necessary for her to make China a Japanese economic colony.

Of course, in theory, the Japanese are perfectly free to win Chinese trade, if they can give China better terms



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JAPANESE TROOPS FORDING A RIVER

than the western powers are able to give her. But the Japanese do not think much of this argument. They feel that economic control can come only with political control. For the past hundred years, the European nations and the United States have divided China among themselves. They have won trade concessions by force from the Chinese government. They have dictated the customs rates in Chinese ports. When, in 1900, the Chinese rebelled against what amounted to foreign control of their economic resources, British, French, and American battleships forced them into submission. And since the great powers had opened up China by force of arms, and wrung trade advantages from the government, they were unwilling to admit Japan on terms of equality. Thus, even though in the past 10 or 15 years Japan has pushed herself into the Chinese market and the special advantages of the European nations are dwindling, Japan has this western example before her. The Europeans sold goods to China by moving in and dictating the government's policy. Why should the Japanese depend on the good will of Great Britain, France, and the United States in order to enter the Chinese market? Why not, the Japanese ask, move in themselves?

China in the Future

The western powers answer this argument by saying that the days of economic imperialism are over. The United States has always sponsored the "Open Door" policy in China, in other words, a policy of keeping China open to trade from all countries, without special advantages for anyone. If this policy were actually in effect, Japan could not complain. Then, if she could sell her goods as cheaply as the European countries, she could enter the market on equal terms.

But who will guarantee the "Open Door"? The powers are no longer dictating China's trade policy, and China herself can discriminate against Japan. As a matter of fact, that is just what China has been doing. In the past five years, when relations have been strained between the two countries, China has operated an aggressive tariff policy against the Japanese. On several occasions, the government has boycotted Japanese goods entirely. In North China, the Japanese cannot advertise in Chinese newspapers. Chinese political leaders have used economic rather than military weapons against Japan. Japan sees no reason to believe, therefore, that the "Open Door" policy will protect her interests, since the Chinese can revoke it at any time, and have done so increasingly since 1931.

These are the elements of the present situation. China, of course, only reflects the difficulties of world trade as a whole. Obviously the Japanese, no matter how necessary China may be to their industrial development, cannot move into China without antagonizing Europe and the United States. For the same arguments which apply to Japan's industry and the Chinese

market apply also to British, French, and American industry. If China's importance as a market is going to increase, China will be a richer prize for our own exporting industries, and British exporting industries, just as much as to Japan's.

What is our own interest in the problem? Our investment in China is, at present, not very great. Americans have only \$300,000,000 at stake in China, and Great Britain, which has been in the field much longer, has no more than \$1,500,000,000. But the increase in China's foreign trade since 1910 makes these figures insufficient indicators of China's importance. There is every reason to believe that China, which is just entering the period of industrialization, will be a good customer in the next 50 years. We no longer believe, as we did in the 1920's, that China's foreign trade will be spectacular, because she will have to pay for all her imports with exports, and both sides of her economy will have to develop slowly together. But her trade is on the upturn, and her 400,000,000 people are the greatest remaining outlet for the world's industrial machine.

The Interests of the Powers

If North China goes the way of Manchoukuo, and becomes a Japanese protectorate, Japan will have made considerable progress in making China her own economic colony, and in shutting out Chinese trade with the west. The opposition is clear cut. Japan or the western powers will have to yield.

There are two paths open to the United States. On the one hand, we can join with Britain and France in checking Japanese domination of China. None of the western powers is willing to act alone. Great Britain, with the largest stake in China and a very vulnerable eastern empire, would like to adopt this common policy. But the question is: should the United States, with a relatively small investment in China, risk becoming involved in a Far Eastern war? And even if this policy succeeded, and Japan's present ambitions were restrained, would not the relations between Japan and the United States be so embittered that war would be an ever-present danger?

On the other hand, the United States can acquiesce in the Japanese economic policy, recognize that the costs of preserving a leading position in the Far East are too great, and limit its Chinese trade to those materials and products in which we have an unmistakable advantage. Thus the United States last year exported \$24,000,000 in raw cotton to China, but this cotton was bought by Japanese mills in China, and thus represents business which we would have even if the Japanese carried out their ambition to dominate in eastern Asia. This choice would mean blasting many of our hopes to rule a great new Chinese market, but if those hopes mean a war with the Japanese, the destruction of millions in property and the loss of thousands of lives, many feel that it would be worth making.



NORTHERN CHINESE PROVINCES

—Courtesy New York Times

THESE three imaginary students have been meeting each week on this page to talk things over. The same characters are continued from week to week. We believe that readers of THE AMERICAN OBSERVER will find it interesting to follow these discussions week by week and thus to become acquainted with the three characters. Needless to say, the views expressed on this page are not to be taken as the opinions of the editors of THE AMERICAN OBSERVER.

John: Has either of you read the address made by former President Hoover at Stanford University last week?

Charles: I saw a report of it in the newspapers. What about it?

John: Well, in my opinion it was a very sensible address. He said some things that people ought to take very seriously in times like these.

Charles: For example?

John: He was talking about social and economic security, and he said, "Economic security is lost the moment freedom is sacrificed. Any system which curtails this freedom destroys the possibility of the production which we know we must have to attain economic security." He emphasized the desirability of freedom. He still stands for the principle of individualism which he has always advocated. He said, "Social security must be built upon a cult of work, not a cult of leisure. The judgment on Adam has not yet been reversed. That prescription was for his better health and life."

Charles: What does he mean by that?

John: I interpret it to mean that each individual must be made to feel that he is primarily responsible for his success and for his achievement. Nobody is supposed to take care of him. He must look out for himself. If we get people into the habit of thinking it is the duty of the government to look after them, we will paralyze individual initiative, the thing which has made America the great nation that it is and that has enabled so many millions of Americans to attain a high standard of living.

Mary: Do you really think that any considerable number of Americans are having their initiative paralyzed today by anything that the government is doing?

John: Yes, I do. The government is feeding hundreds of thousands of people who prefer a dole to work. There are sections of the country where it is almost impossible to hire workers because those who have been doing the work no longer want to do it. They are satisfied with the living which the government doles out to them. Now Congress is about to pass social security legislation which will give all old people doles and which will pay out money to anyone who is unemployed. I think there is danger that this will destroy the spirit of individualism.

Charles: It strikes me that individualism is more seriously threatened from another quarter, and freedom is also threatened from another quarter. What is freedom, anyhow? Is a man free simply because there are no laws which closely limit his conduct? I say that a man is free when he is able to do most, or at least, many, of the things which he wishes to do. He is free when he is developing his personality. He is giving an exhibition of individualism when he is able to do a kind of work at which he realizes his best possibilities.

John: Americans have that kind of freedom. They always have had it. That is what has made us such a great nation.

Charles: Americans have not had that freedom. In particular, they do not have it now. How about the ten million men or more who are out of work? You may say that they are free men. They can do whatever they please, but suppose they please to go out and do honest labor and earn enough money so that they can give food to their families, so that they can clothe and

Talking Things Over

Are Liberty and Freedom Endangered by Recent Policies of Governmental Regulation? Is the Term "Rugged Individualism" a Useful Political Concept?

educate their children, so that they and their wives and children can have some of the good things of life. Suppose, I say, that one wishes to do that and yet he goes out and can't find a job. No one will give him work. What does his liberty amount to? The only thing that he can do is to walk the streets or lie around at home and either starve or receive charity. That isn't freedom. Neither is it individualism, "rugged" or otherwise.

John: You are taking, of course, an unusual situation and pretending that it is typical of American life.

Charles: The situation just now, of course, is worse than it has been at most times in our history. But there has never been a time when the majority of the American people had the actual power—call it liberty or freedom if you like—to live comfortably, to care adequately for their health, to provide education for their families and live a life of comfort and security and culture.

John: Of course, we have never realized our ideals. We have never been as well off as we might have liked, but we have been better off than other peoples have been and we are better off today than we were a hundred years ago. We are making progress. My point is that that progress is likely to be checked if we step in now and undertake to give the people too much by law. As former President Hoover says, "Universal social security cannot be had by sudden inspiration of panaceas. There are no short cuts. Permanent social growths cannot be had by hothouse methods."

Mary: Well, of course, that is an abstraction. When you talk about "rugged individualism" and freedom and all that, you are speaking abstractly. It is all right to resort to these abstractions in philosophical conversation, but when people untrained in political philosophy have these terms thrown at them, their thinking is likely to be interfered with rather than assisted. There is not much use to speak in these vague terms in popular discussion. Let's get down to concrete cases. Here's a coal miner, let us say, who is out of a job. He is out of work because the mine has closed down. His employer tells him that there is nothing for him to do. He can't go across the country in search of work because he has no money with which to transport his family. There would be no use in his attempting such a thing even if he had money because there isn't much work to be had in any section. So this man's meager income is stopped. He is getting no money from any quarter. He can't buy milk for

the baby. He can't buy food for any of the family. He can't pay his rent. Now are we all agreed that a man in that fix doesn't have very much liberty or freedom and are we all agreed that he doesn't have a chance to develop his personality?

Charles: I certainly agree to that.

Mary: Are we agreed further that "rugged individualism" won't help this man out very much; that what he needs is not individual initiative and backbone? He may have these things and still be helpless. He requires something more than his individual efforts. He requires assistance from the outside.

John: What kind of assistance do you mean?

Mary: Well, for the immediate present he needs relief. He needs what you call a dole. If he is given enough money by the government so that he can go out and fill his market basket with provisions for his family, that won't make him any less of a man. It will make him more of one. But it isn't enough merely to feed him. There is a necessity in that case, I think, for the government to come in and regulate the industry. Something must be done through political action to see to it that employment is made more regular in the coal industry.

John: Would you pass a law requiring the coal operator to keep his mines open when he can't sell his coal?

Mary: Not at all. I wouldn't legislate against the coal owner at all. He is in about as bad a fix as the laborer. "Rugged individualism" isn't saving him either. No matter how industrious and efficient he is, he finds a surplus of coal accumulating in certain seasons of the year. Then he has to close down. It is just a part of the disorganization of the coal industry. That is why the government needs to step in. Perhaps the Guffey bill will furnish the necessary regulation of the industry.

Charles: And, of course, Mary has just taken the coal industry as one example. There are hundreds of cases in which individuals find themselves helpless in the presence of social and economic conditions which they alone cannot control.

John: What are some of these conditions you are talking about?

Charles: Well, Mary gave you one illustration, that of the coal miner and the coal owner. But let's get back to what you were talking about a while ago—unemployment relief. If a man is unemployed and no one will give him work, it does no good to talk about "rugged individualism." What he needs is help from the outside. That isn't regimentation. He is being regimented now. He is being shoved down into a class of helpless and hopeless human beings who can do nothing but reach out their hands for charity. I know of no more cruel regimentation than that which has resulted here in our economic system which we call free. In this free America where there is so much prejudice against the regulation of industry by government, we have a wholesale regimentation of the most brutal sort, for it is the regimentation of poverty.

John: I insist, however, that there is danger when the government undertakes to do too much for individuals. I admit that in extreme cases it is necessary to feed the hungry, but if too many rules are laid down for the conduct of business—if the government puts its hand in everywhere—if it raises taxes to impossible levels, industry itself will be retarded. Business recovery will be checked. Then there will not be jobs for the millions of people. There will be distress without means in the country to relieve it.

Mary: Well, of course, you are getting into something else now. There is a question of expediency when every concrete re-

form measure is brought up, but I think that you are absolutely wrong in opposing social security legislation and relief on the ground that these measures impair human freedom. The "rugged individualism" which you and your hero, Herbert Hoover, advocate seems to me to be one of the most threadbare myths with which the American people have ever been deceived.

John: It is easy to say that and it is very hard to prove that you are in error—at least it is hard for me to do it. Your argument is logical enough, but I have the feeling, nevertheless, that the verdict of history



will be against you. I cannot but feel that dangerous governmental activities are being engaged in today. Here is the government handing out money to the farmers through the AAA. A report which has just been published by the Brookings Institution calls attention to the danger of a program like that. Other classes of the population will call for help. Workers are already getting it in unemployment relief. The veterans are demanding it when they call for the bonus. Whenever industry is in trouble it calls upon the government for help. I think there is danger that after a while we will come to the place where so many special interests are receiving direct grants from the government that the whole country will be impoverished.

Charles: Of course, the business interests have been getting their dole for more than a century through a protective tariff.

John: Well, that is no argument in favor of extending the privilege to everyone. Because we have made one mistake we needn't make a dozen more.

Charles: There may be something to that if you admit that you have made a mistake in having a protective tariff, but the political crowd you train with won't admit that. It wants business to get a dole, but objects when the farmers and laborers get theirs.

Mary: I think we will all agree that the government shouldn't needlessly support anybody, but, in my opinion, we will have to have a great deal of governmental interference and regulation in order to see to it that everyone is in the position to stand on his own feet and to see that all have the opportunity to work effectively for their own welfare.

GUFFEY BILL RUSHED

(Concluded from page 5)

feels that conditions in the coal industry are such as to demand immediate and relatively drastic action in order successfully to cope with the situation. In another respect the Guffey bill is considered important. Its sponsors consider it a model for the regulation of other industries having a public utility character. Whatever the outcome of the present debate, therefore, it can hardly be denied that the coal stabilization bill is one of the most important pieces of legislation before the present session of Congress and the decision of Congress is likely to have a deep and lasting effect not only upon the coal industry but upon other American industries as well.



TIME TO KISS THEM GOOD-BYE?

—Brown in New York HERALD-TRIBUNE



"LINKING men, materials and technology is the economic organization—another factor of social change—which helps to determine our material culture and precipitates mechanical inventions, just as inventions in turn

Force of economic upheaval felt today

carry with them social consequences and stimulate social discoveries." Thus Edwin F. Gay and Leo Wolman begin their chapter, "Trends in Economic Organization," in the first volume of "Recent Social Trends." And in a sense, it is precisely these changes in our economic organization that are the outstanding characteristic of the period through which we are now passing. Whatever may be the causal relationship between this phenomenon and the other social changes to which we have called attention on this page, it can scarcely be denied that the altered economic organization of today constitutes one of the major present-day social problems.

In order to obtain a complete picture of the economic process of "linking men, materials, and technology," one must glance at a number of important factors. One must examine the changes in production methods, which have increased the productivity of labor, and, temporarily at least, led to technological unemployment; the shifting of consumers' demand, resulting primarily from the introduction of a number of new products causing dislocations of serious proportions; the economic maladjustment occasioned by the World War, which in many respects is more responsible than anything else for the changes in our economic organization of the last decade and a half; the trend toward concentration of control of business enterprise; banking and credit changes; the new relationship between government and private business; and a dozen other vital factors. We cannot here give an exhaustive account of all these items of change; we can only hint at the major transformations the results of which we are feeling so acutely today.

WHILE the element of change was certainly present in the America of pre-war days, it is noteworthy that the major alteration in our economic organization resulted from the World War. The stability and relatively self-adjusting nature of our economic structure was so completely upset by the war that the former balance has never been completely recovered. In the broader sense,

the World War marked the opening of a new chapter in the economic history of the United States. Not only were the seeds of the illusory prosperity of 1922-1929 sown during the war, but the difficulties through which we are now passing may be, many of them, traced directly to the economy of that period. The excessive demands placed upon the American economic machine by the war, first in supplying the needs of our own military establishment, and later by coming to the aid of Europe in her period of reconstruction, forced American business activity to abnormal and unprecedented heights.

At the same time, the war transformed the United States from a debtor to a creditor nation. Before the war, she had been dependent upon Europe for loans to build her industrial plant, paying interest on these loans and eventually the principal by selling her agricultural and industrial products abroad. At the close of the war, however, she found herself in the position of a creditor, Europe having already borrowed huge sums to finance the war and demanding further loans to put her economic house in order. But, instead of permitting Europe to repay these

Changes in Economic Organization

By David S. Muzzey and Paul D. Miller

loans by shipping goods to this country, the United States piled new debts upon the old, and Europe used the proceeds of these loans to buy additional American products.

This was at least one of the reasons for the prosperity of the rosy twenties. But it was not the sole factor. At the same time that the European demand for our products was great, the domestic situation was particularly favorable to economic prosperity. The war had caused a real shortage of buildings for private habitation and business enterprise. The shortage had to be made up, causing something of a building boom, which, in many sections of the country, later turned into a speculative boom. Then, new industries were entering the field in a telling manner. Automobiles, electrical equipment of one kind or another, petroleum, and half a dozen others were all coming into their own.

IT IS against this background of economic fact that the period which came to an end in 1929 should be examined. In studying the economic trends of the period, one factor in particular should not be overlooked. That was the unfavorable agricultural situation. While the industrial side of the nation appeared to be reaching new heights of prosperity, the agricultural sections of the population were gradually sinking to new depths of poverty. If their former standards of living were at all maintained, it was due solely to the fact that the farmers were living on the proceeds of mortgages which it became increasingly difficult to liquidate on account of sagging farm prices. In another sense, our economic organization has been affected by the changed status of agriculture. Whereas in former times agriculture constituted the foundational framework upon which our national economy was built, it has in recent years, especially since the World War, given way to industry. Both in the domestic and the foreign markets, industrial products have constantly assumed a position of greater importance.

Agriculture suffered in the twenties

On the industrial side of the picture, there are many factors which must be taken into account. Outstanding among those which have deeply affected the post-war economic organization are the increased mechanization of industry, resulting in greater productivity of labor and accompanying technological unemployment; a shifting in the type of industrial products sold to the consumer; and, finally, the concentration of control of both production and distribution.

With the introduction of new products on the market, most of them of a more or less durable character, the consumers' purchasing power had been diverted from old to new channels. Formerly, the bulk of the consumer's dollar went for perishable and consequently replaceable goods, such as clothing. In the post-war period, however, an increasing share of his funds was used for automobiles, electric refrigerators, stoves, and other equipment, furniture and the like—goods which lasted for a good many years and which did not need to be replaced except under favorable economic conditions. It has been in the categories of these durable goods that the demand has fallen

off precipitously during the depression. Thus, the trend of the prosperous years has been completely reversed, the "old" products suffering during the former period, and the "new" products during the latter.

ON THE subject of combination and merger, we need not dwell at too great length, for the tendency for business organizations to combine and operate under a single management is fairly familiar to most observing Americans. The trend toward combination has been prevalent in practically every field of economic activity. The chain store has replaced the individually owned grocery store.

Huge business enterprises centered power

Small, privately owned banks have been merged with larger and more influential establishments. The holding company has assumed gigantic proportions in the public-utility field during the post-war period. An idea of the extent to which control of the corporate wealth of the nation has been lodged in the hands of a comparatively few individuals may be gained by referring to Berle and Means' "The Modern Corporation and Private Property." The authors of this highly important study point out that practically half the corporate wealth of the nation is controlled by 200 corporations, and that these 200 organizations control approximately 38 per cent of all the business wealth of the nation. Those were the estimates for 1929, and there is no reason to believe that the control has been lessened since that time.

All these developments in our economic organization, and the many others to which we have been unable to refer, have raised problems which must, sooner or later, be faced if the American people are to achieve even a minimum of economic security and stability and if the economic machine itself is to function at all smoothly. It appears that the day when the defects or inequalities of the system were self-adjusting has gone, perhaps forever. One of the big problems of the future, therefore, deals with the proper relationship between private enterprise and the public interest, as represented by government. With the present depression, the government felt compelled to intervene in the economic life of the nation to an extent unprecedented in all our history. But several years of experimentation have left the problem unsolved, and the recent decisions of the Supreme Court have confused the issue even more, leaving the control powers of the government in doubt.

CONSIDERABLE attention is focused on this particular phase of the subject by the authors of the chapter we have mentioned in "Recent Social Trends." While they do not go so far as to chart a necessary or

Government control to increase

desirable course for the government in dealing with private business enterprise, they are, nevertheless, aware of the problem and recognize the responsibility of government in acquiring the much-needed security. "It is clear," they conclude, "that public preoccupation with the problems of industrial stability and financial safety and with the government's part in achieving both is more general than before. It seems probable that control over public utilities and the banks will be extended and strengthened. And at every point in the contemporary scene the suggestion springs unforced from the evidence that the future will almost certainly see a continuation of the existing strong movement toward the building of institutions aiming to secure increased economic stability."

Something to Think About

1. What are the causes of decline in the coal industry? Is there any prospect that it will ever regain its old prosperity?
2. How has the decline affected the hundreds of thousands of miners? How has it affected the owners?
3. Do you think that either mine owners or miners, or the two classes working together, can put the industry on its feet and prevent distress without help from the government?
4. Do you think that the Guffey bill, if enacted, will remedy the situation in the coal industry? In the light of the Supreme Court's NRA decision, do you think the Guffey Act is constitutional?
5. If you were a Japanese would you favor Japanese expansion into China? Do you think such a policy on the part of Japan will benefit the Japanese people? The Chinese people?
6. Do you think that you and other Americans will be injured by anything the Japanese are likely to do in China? If so, are you likely to be injured more than you would be by a war between the United States and Japan?
7. If the United States is to take action in an effort to prevent Japanese aggression in China, should this country act alone or should it join hands with Great Britain?

8. What charges are being made against the Roosevelt administration's handling of work relief? Do you think these charges are justified?
9. What principle governs the selection of projects upon which the work-relief money is to be spent?
10. What is meant by "rugged individualism"? Do you think it is true that the use of that term confuses rather than clarifies concrete issues?
11. Why does France object to the naval agreement which has been formed between Great Britain and Germany?
12. What are the issues behind the unrest in Mexico?

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PRONUNCIATIONS: Manchoukuo (man-choo-koo'oh—final o as in go), Salvador de Madariaga (sahl-vah-dor—o as in go, deh mah-dahr-ee-ah'gah), Lazaro Cardenas (lath'ah-ro—o as in go, cahr-da'ne-as), Plutarco Calles (plooh-tar'co cahl'lays), Basilio Alvarez (bahs-ill'ee-oh ahl-vahr'ath—final a as in cape), Eritrea (er-i-tree'a).